

**REPORT OF THE AUDIT OF THE
PERRY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PERRY COUNTY FISCAL COURT

June 30, 2006

Chris Gooch, Certified Public Accountant has completed the audit of the Perry County Fiscal Court for fiscal year ended June 30, 2006. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Perry County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$9,858,614 as of June 30, 2006. The fiscal court had unrestricted net assets of \$2,065,288 in its governmental activities as of June 30, 2006, with total net assets of \$9,858,614. In its enterprise fund, total net cash and cash equivalents were \$-0- with total net assets of \$-0-. The fiscal court had total debt principal as of June 30, 2006 of \$15,500,795 with \$679,865 due within the next year.

Deposits:

As of June 30, 2006, the fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.

Chris Gooch

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To the People of Kentucky

Honorable Ernie Fletcher, Governor
Robert M. Burnside, Secretary
Finance and Administration Cabinet
Honorable Denny Ray Noble, Perry County Judge/Executive
Members of the Perry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Perry County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Perry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis.

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2007 on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

PERRY COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Denny Ray Noble	County Judge/Executive
Earl Bailey	Magistrate
Jimmy D. Neace	Magistrate
Johnny Blair	Magistrate

Other Elected Officials:

John Carl Shackelford	County Attorney
McClee Feltner	Jailer
Tammy Walls	Jailer (appointed January 3, 2006)
Haven King	County Clerk
Roger Collins	Circuit Court Clerk
Pat Wooton	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

Appointed Personnel:

Tonya Delph	County Treasurer
Joyce Napier	Finance Officer

Office of the County Judge – Executive
Denny Ray Noble



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Management's Discussion and Analysis June 30, 2006

The financial management of Perry County, Kentucky offers readers of Perry County's financial statements this narrative overview and analysis of the financial activities of Perry County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Perry County has net capital assets of \$19,959,785 as of June 30, 2006. The fiscal court had unrestricted net assets of \$2,065,288 in its governmental activities as of June 30, 2006. Total debt principal as of June 30, 2006 was \$15,500,795 with \$679,865 due within one year.
- At the close of the current fiscal year, Perry County's governmental funds balance sheet reported a fund balance of \$2,233,374. Of this amount, \$2,138,897 is available for spending (unreserved fund balance).
- Perry County's total indebtedness at the close of fiscal year June 30, 2006 was \$15,500,795, of which \$14,820,930 is long-term debt (due after one year). There were \$1,030,000 in debt additions and debt reductions totaled \$627,505.
- Expended \$90,380 in PRIDE Community Grants.
- Expended \$1,853,348 related to waterline extensions using Coal Severance Tax funds.
- New debt service, road bond \$1,030,000 incurred in fiscal year.
- Kentucky River Regional Jail Authority assumed operations of the Jail Canteen fund and Jail Inmate fund beginning July 1, 2005.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Perry County's basic financial statements. Perry County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. Comparative schedules of net assets and capital assets net of accumulated depreciation have been included here in.

Perry County
Management's Discussion and Analysis
June 30, 2006
(Continued)

government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Perry County maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, LGEA Fund and Coal Severance Project Fund, all of which are considered major funds by Perry County. E-911 Fund, KREDA Fund, Area Development Fund, FEMA Fund, Perry County Emergency Fund, Buckhorn Waterline Fund, Forestry Fund, Coal Severance Project Fund, Public Properties Corporation Bond Fund, CDBG Fund, Justice Center Corporation Fund and Community Corrections Fund are considered non-major funds and are represented in a combined form.

Perry County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund. Kentucky River Regional Jail Authority assumed operations of the Jail Canteen Fund beginning July 1, 2005.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's only fiduciary fund is the Jail Inmate fund, an agency fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. Kentucky River Regional Jail Authority assumed operations of the Jail Inmate Fund beginning July 1, 2005.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Perry County
Management's Discussion and Analysis
June 30, 2006
(Continued)

Change in Net Assets (Continued).

	2006			2005		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Expenses:						
General Government	3,490,321	-	3,490,321	2,450,068	-	2,450,068
Protection to Persons & Property	2,009,231	-	2,009,231	1,814,311	-	1,814,311
General Health & Sanitation	2,068,922	-	2,068,922	480,229	-	480,229
Social Services	182,500	-	182,500	30,407	-	30,407
Recreation & Culture	326,977	-	326,977	94,097	-	94,097
Roads	2,394,798	-	2,394,798	763,029	-	763,029
Interest on Long-Term Debt	723,760	-	723,760	590,027	-	590,027
Capital Projects	249,354	-	249,354	1,991,800	-	1,991,800
Jail Canteen Fund	-	14,973	14,973	-	305,490	305,490
Total Expenses	11,445,863	14,973	11,460,836	8,213,968	305,490	8,519,458
Change in Net Assets	431,303	(14,973)	416,330	1,918,108	(19,501)	1,898,607

Comments regarding Perry County's Change in Net Asset comparisons:

- Roads expense increased \$1,631,769. A Road Bond was acquired for \$1,030,000.
- Miscellaneous Revenue includes escrow fund pass-through to finance debt service, \$603,920, reflected in the Justice Center Corporation Fund.
- General Health and Sanitation include \$1,853,348 in water line extension projects.
- The Jail Canteen Fund operations were assumed by the Kentucky River Regional Jail Authority beginning July 1, 2005.

Financial Analysis of Perry County's Funds

As noted earlier, Perry County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Perry County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Perry County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2006 fiscal year, the combined ending fund balance of Perry County governmental funds was \$2,233,374. Approximately 96% (\$2,138,897) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$94,477) is reserved to indicate that it is not available for new spending because it is committed.

Financial Analysis of Perry County's Funds (Continued)

11. The Buckhorn Water Line Fund is money that has been receipted from citizens of Buckhorn for water lines. There was a prior year carryover of \$9. \$10 was expended during the fiscal year.
12. The Area Development Fund is used to match grants that are received through Kentucky River Area Development District. This fund has a balance of \$32 from prior year carry over. There was no activity in this fund during the Fiscal Year.
13. The Justice Center Corporation Fund was used to account for the financial resources for the construction of the Perry County Justice Center. The fund balance of \$6,175 exists at June 30, 2006.
14. The Public Properties Corporation Bond Fund accounts for the financial resources for the payment of general long-term debt principal and interest. The fund balance of \$75,090 exists at June 30, 2006.
15. The FEMA Fund receives revenue from federal grants for disasters. A balance of \$1,532 from prior year carryover was expended during the Fiscal Year.
16. The Perry County Emergency Fund are funds from Federal Grants to be used for Emergency management office equipment to support hazardous areas in Perry County. There is a fund balance of \$3,218, these funds are from prior year carryover. There was no activity in this fund during the Fiscal Year.
17. The Community Correction Fund received \$41,000 in state funds for various law enforcement purposes. This fund was established in 2005-06. A fund balance of \$21,017 exists at June 30, 2006.

Proprietary Funds Overview. Perry County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Perry County has no enterprise funds at June 30, 2006. \$14,973 was transferred to Kentucky Regional Jail Authority resulting in a -0- balance at June 30, 2006.

General Fund Budgetary Highlights

Perry County's original budget was amended during the fiscal year increasing the operating budget by \$418,895. Budget amendments were made to all areas due to state and federal grants, surplus carried forward, and increase in several accounts as opposed to projected collections.

Actual operating revenues were \$118,041 less than amount originally budgeted by Fiscal Court. This decrease was primarily from Intergovernmental sources and excess fees.

Actual operating expenditures were \$326,066 less than the amount originally budgeted by Fiscal Court.

PERRY COUNTY
STATEMENT OF NET ASSETS – MODIFIED CASH BASIS

June 30, 2006

PERRY COUNTY
STATEMENT OF NET ASSETS – MODIFIED CASH BASIS

June 30, 2006

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,233,374	\$ -	\$ 2,233,374
Notes Receivable Due Within One Year	569,141	-	569,141
Total Current Assets	<u>2,802,515</u>	<u>-</u>	<u>2,802,515</u>
Noncurrent Assets:			
Notes Receivable Due In More Than One Year	2,597,109	-	2,597,109
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	2,730,802	-	2,730,802
Buildings	14,252,748	-	14,252,748
Vehicles and Equipment	1,013,318	-	1,013,318
Infrastructure Assets - Net of Depreciation	1,962,917	-	1,962,917
Total Noncurrent Assets	<u>22,556,894</u>	<u>-</u>	<u>22,556,894</u>
Total Assets	<u>25,359,409</u>	<u>-</u>	<u>25,359,409</u>
LIABILITIES			
Current Liabilities:			
General Obligation Bonds Payable	250,000	-	250,000
Revenue Bonds Payable	235,000	-	235,000
Financing Obligations Payable	194,865	-	194,865
Total Current Liabilities	<u>679,865</u>	<u>-</u>	<u>679,865</u>
Noncurrent Liabilities:			
General Obligation Bonds Payable	6,290,000	-	6,290,000
Revenue Bonds Payable	5,345,000	-	5,345,000
Financing Obligations Payable	3,185,930	-	3,185,930
Total Noncurrent Liabilities	<u>14,820,930</u>	<u>-</u>	<u>14,820,930</u>
Total Liabilities	<u>15,500,795</u>	<u>-</u>	<u>15,500,795</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	7,625,240	-	7,625,240
Restricted For:			
Capital Projects	95,348	-	95,348
Debt Service	72,738	-	72,738
Unrestricted	2,065,288	-	2,065,288
Total Net Assets	<u>9,858,614</u>	<u>-</u>	<u>9,858,614</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

PERRY COUNTY
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

(Continued)

<u>Net (Expenses) Revenues</u> <u>and Changes in Net Assets</u> <u>Primary Government</u>		
Governmental Activities	Business-type Activities	Totals
\$ (267,187)	\$ -	\$ (267,187)
(294,821)	-	(294,821)
(215,574)	-	(215,574)
(32,500)	-	(32,500)
(265,869)	-	(265,869)
(890,644)	-	(890,644)
(723,760)	-	(723,760)
<u>(135,943)</u>	<u>-</u>	<u>(135,943)</u>
<u>\$ (2,826,298)</u>	<u>\$ -</u>	<u>\$ (2,826,298)</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (2,826,298)</u>	<u>\$ -</u>	<u>\$ (2,826,298)</u>
\$ 767,265	\$ -	\$ 767,265
92,928	-	92,928
210,955	-	210,955
981,205	-	981,205
51,641	-	51,641
1,141,756	-	1,141,756
<u>11,851</u>	<u>-</u>	<u>11,851</u>
<u>\$ 3,257,601</u>	<u>\$ -</u>	<u>\$ 3,257,601</u>
431,303	-	431,303
9,427,311	-	9,427,311
<u>-</u>	<u>(14,973)</u>	<u>(14,973)</u>
<u>\$ 9,858,614</u>	<u>\$ (14,973)</u>	<u>\$ 9,843,641</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS

June 30, 2006

PERRY COUNTY
 BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
 June 30, 2006
 (Continued)

<u>LGEA</u> <u>Fund</u>	<u>Coal Severance</u> <u>Special Projects</u> <u>Fund</u>	<u>Non-</u> <u>Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 1,276,166	\$ 9,285	\$ 81,585	\$ 2,152,109
-	-	81,265	81,265
<u>\$ 1,276,166</u>	<u>\$ 9,285</u>	<u>\$ 162,850</u>	<u>\$ 2,233,374</u>
12,759	-	261	94,477
-	-	-	576,794
1,263,407	9,285	81,322	1,480,836
-	-	6,177	6,177
-	-	75,090	75,090
<u>\$ 1,276,166</u>	<u>\$ 9,285</u>	<u>\$ 162,850</u>	<u>\$ 2,233,374</u>

**Reconciliation of the Balance Sheet - Governmental
 Funds to the Statement of Net Assets**

Total Fund Balances	\$ 2,233,374
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different because of the following:	
Principal on Long-term Receivables is not Reported in the Fund Financial Statements	3,166,250
Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Funds	23,429,123
Accumulated Depreciation	(3,469,338)
Long-term Debt is not Due and Payable in the Current Period and, Therefore, is not Reported in the Funds	
Financing Obligations	(3,380,795)
Bonded Debt	(12,120,000)
Net Assets of Governmental Activities	<u>\$ 9,858,614</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

PERRY COUNTY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
 For the Year Ended June 30, 2006
 (Continued)

<u>LGEA Fund</u>	<u>Coal Severance Special Projects Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 268,733	\$ 1,736,158
-	-	-	51,641
86,872	-	-	316,195
2,771,118	3,717,744	119,022	8,928,841
-	-	-	16,199
60,596	-	793,596	1,141,756
3,296	1,023	3,719	11,851
<u>\$ 2,921,882</u>	<u>\$ 3,718,767</u>	<u>\$ 1,185,070</u>	<u>\$ 12,202,641</u>
\$ -	\$ 658,900	\$ -	\$ 1,918,549
171,225	200,000	362,517	1,900,282
175,593	1,853,348	1,542	2,068,922
28,392	150,000	-	182,500
-	-	-	45,482
208,100	61,108	7,048	276,256
381,853	-	-	1,886,007
73,204	-	809,020	1,351,265
10,626	113,411	1,425,536	1,549,573
271,820	-	51,219	1,440,641
<u>\$ 1,320,813</u>	<u>\$ 3,036,767</u>	<u>\$ 2,656,882</u>	<u>\$ 12,619,477</u>
<u>\$ 1,601,069</u>	<u>\$ 682,000</u>	<u>\$ (1,471,812)</u>	<u>\$ (416,836)</u>
-	-	1,210,000	1,210,000
606,472	-	50,485	2,124,325
(1,271,918)	(755,174)	(2,233)	(2,124,325)
<u>\$ (665,446)</u>	<u>\$ (755,174)</u>	<u>\$ 1,258,252</u>	<u>\$ 1,210,000</u>
935,623	(73,174)	(213,560)	793,164
340,543	82,459	376,410	1,440,210
<u>\$ 1,276,166</u>	<u>\$ 9,285</u>	<u>\$ 162,850</u>	<u>\$ 2,233,374</u>

The accompanying notes are an integral part of the financial statements.

**PERRY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

For the Year Ended June 30, 2006

PERRY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 793,164
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	1,304,310
Assets Held for Resale Are Reported in the Funds as an Expenditure but as an Asset on the Statement of Net Assets	180,000
Disposal of Asset Held for Resale	(168,330)
Loss on Disposal of Asset Held for Resale	(11,670)
Depreciation Expense	(938,201)
Principal on Receivable Forgiven	(325,475)
Proceeds from debt service is reflected as an increase in fund balance for fund financial statements - lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets	
Bond Proceeds	(1,210,000)
Financing Obligations	247,505
Bond Payments	<u>560,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 431,303</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY
STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

PERRY COUNTY
STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS

June 30, 2006

	<u>Business-type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ -
Total Current Assets	<u>-</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>-</u>
Net Assets	
Restricted	<u>-</u>
Total Net Assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUND – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

PERRY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUND – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

	Business-type Activities
	Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ -
Total Operating Revenues	-
Operating Expenses	
Cost of Sales	-
Total Operating Expenses	-
Operating Income (Loss)	-
Nonoperating Revenues (Expenses)	
Interest Income	-
Transfers to Other Governmental Units	(14,973)
Total Nonoperating Revenues (Expenses)	(14,973)
Change in Net Assets	(14,973)
Total Net Assets - Beginning	14,973
Total Net Assets - Ending	\$ -

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

PERRY COUNTY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS

For the Year Ended June 30, 2006

	<u>Business-type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ -
Cost of Sales	-
Nets Cash Used By Operating Activities	-
Cash Flows From Investing Activities	
Interest Earned	-
Net Cash Provided By Investing Activities	-
Cash Flows From Financing Activities	
Transfer to Other Governmental Units	(14,973)
Net Cash Provided By Financing Activities	(14,973)
Net Increase (Decrease) in Cash and Cash Equivalents	(14,973)
Cash and Cash Equivalents - July 1, 2005	14,973
Cash and Cash Equivalents - June 30, 2006	\$ -
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ -
Total Cash Used By Operating Activities	\$ -

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY
STATEMENT OF FUND NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS

June 30, 2006

PERRY COUNTY
STATEMENT OF FUND NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS

June 30, 2006

	<u>Agency Fund</u>
	<u>Jail Inmate Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ -
 Total Assets	 -
 Liabilities	
Amounts Held in Custody For Others	-
Total Liabilities	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet – Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

The financial statements for the year ended June 30, 2006 do not reflect operations revenue and expense of the Jail Canteen Fund and Jail Inmate Fund for which administrative and financial reporting responsibilities were transferred to the Kentucky River Regional Jail Authority beginning July 1, 2005.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund – This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund – This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund:

The Public Properties Corporation Bond Fund is presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds prior to July 1, 2005 were charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations. The Kentucky River Regional Jail Authority assumed administration and reporting of proprietary Jail Funds beginning July 1, 2005.

The primary government does not report any proprietary fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund – This fund accounted for funds received from inmates after incarceration. This fund is maintained by the Kentucky River Regional Jail Authority beginning July 1, 2005.

E. Deposit and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 131,130
Protection to Persons and Property	108,949
General Health and Sanitation	-
Recreation and Culture	5,239
Roads, Including Depreciation of General Infrastructure Assets	<u>692,883</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 938,201</u>

Note 4. Receivables

A. Economic Development Block Grant Receivable

The county loaned \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with zero percent interest. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2006. As of June 30, 2006, the principal balance due was \$100,000.

B. Multi-County Economic Development Block Grant Receivable

The county loaned another \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2006. As of June 30, 2006, the principal balance due was \$100,000.

C. Cintas Sales Corporation Receivable

The county loaned \$3,997,000 to Cintas Sales Corporation on March 2, 1994 for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an eight percent interest rate. The agreement also states that any shortfall in principal payments by Cintas shall be forgiven by the county and that the county will make up such difference from proceeds of coal severance monies. At the end of this agreement, it appears the property and building will transfer to Cintas with the county having to pay back the LGED grant funding from prior years. It appears that Cintas Sales Corporation is in substantial compliance with terms of the agreement. As of June 30, 2006, the principal balance due was \$2,966,250.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long-Term Debt (Continued)

B. Perry County Justice Center Bond (Phase 2)

In April 2002, the Perry County Justice Center Corporation issued bonds in order to construct the Perry County Justice Center. On the same day, the Perry County Justice Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a use and sublease agreement for the purpose of obtaining office rental space for the AOC at the Justice Center.

The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage, and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the bonds.

The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 1, 2023, but the use and sublease agreement does not legally obligate the Administrative Office of Courts to do so. As of June 30, 2006, the principle balance outstanding was \$5,580,000. Debt service requirements for fiscal years ending June 30, 2007, and thereafter are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2007	\$ 246,968	\$ 235,000
2008	238,532	240,000
2009	229,218	250,000
2010	219,012	260,000
2011	207,945	270,000
2012 - 2016	846,696	1,525,000
2017 - 2021	450,908	1,905,000
2022 - 2023	<u>43,560</u>	<u>895,000</u>
Totals	<u>\$ 2,482,839</u>	<u>\$ 5,580,000</u>

C. Caterpillar Backhoe-2001

In September 2001, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. As of June 30, 2006 the principal balance outstanding was \$2,256. Debt service requirements for fiscal years ending June 30, 2007 are as follows:

PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long-Term Debt (Continued)

F. KADD Lease-Cintas

On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule with semiannual interest payments and annual principal payments. The principal amount of bonds outstanding as of June 30, 2006, was \$1,385,000. Future debt service requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2007	\$ 77,775	\$ 85,000
2008	73,397	90,000
2009	68,763	95,000
2010	63,538	100,000
2011	58,038	105,000
2012 - 2016	196,862	610,000
2017 - 2018	<u>27,163</u>	<u>300,000</u>
Totals	<u>\$ 565,536</u>	<u>\$ 1,385,000</u>

G. KADD Lease – Land Purchased and Demolition

On July 1, 2000, the Perry County Kentucky Justice Center Corporation entered into a capital lease agreement with the Kentucky Area Development District, on behalf of the Administrative Office of Courts, for phase one of the Justice Center Project. These funds were for the purchase of property and the demolition of an existing building for the Justice Center Project.

The Perry County Justice Center Corporation and the Kentucky Area Development District Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development District Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of this KADD lease. Under the terms of an additional use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the KADD lease.

The use allowance payment has commenced prior to the occupancy of the Justice Building by the Administrative Office of the Courts. The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 2018, but the use and sublease agreement does not legally obligate the Administrative Office of the Courts to do so.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2006
 (Continued)

Note 5. Long-Term Debt (Continued)

I. Worldwide Equipment Lease – Dump Trucks

The county entered into an agreement to purchase two dump trucks from Worldwide Equipment. Terms of the agreement stipulate one principal payment of \$180,000 with semi annual interest payments totaling \$5,565. In June 2006, the dump trucks were sold at auction for \$168,330 and the principal payments were made.

J. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
General Obligation Bonds	\$ 5,665,000	\$ 1,030,000	\$ (155,000)	\$ 6,540,000	\$ 250,000
Revenue Bonds	5,805,000	-	(225,000)	5,580,000	235,000
Financing Obligations	<u>3,628,300</u>	<u>-</u>	<u>(247,505)</u>	<u>3,380,795</u>	<u>194,865</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 15,098,300</u>	<u>\$ 1,030,000</u>	<u>\$ (627,505)</u>	<u>\$ 15,500,795</u>	<u>\$ 679,865</u>

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefits, contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information – Modified Cash Basis
For The Year Ended June 30, 2006

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information – Modified Cash Basis

For The Year Ended June 30, 2006

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Taxes	\$ 1,482,306	\$ 1,482,306	\$ 1,467,425	\$ (14,881)
Excess Fees	117,694	117,694	51,641	(66,053)
Licenses and Permits	225,000	225,000	227,103	2,103
Intergovernmental Revenue	435,750	615,615	538,563	(77,052)
Charges for Service	41,200	41,200	16,199	(25,001)
Miscellaneous	10,500	10,500	72,640	62,140
Interest	1,000	1,000	1,703	703
Total Revenues	<u>\$ 2,313,450</u>	<u>\$ 2,493,315</u>	<u>\$ 2,375,274</u>	<u>\$ (118,041)</u>
EXPENDITURES				
General Government	\$ 1,005,165	\$ 1,005,165	\$ 1,259,649	\$ (254,484)
Protection to Persons and Property	35,800	35,800	11,100	24,700
General Health and Sanitation	37,035	37,035	38,439	(1,404)
Social Services	13,000	13,000	4,108	8,892
Tourism	-	-	45,482	(45,482)
Administration	1,163,721	1,582,616	988,772	593,844
Total Expenditures	<u>\$ 2,254,721</u>	<u>\$ 2,673,616</u>	<u>\$ 2,347,550</u>	<u>\$ 326,066</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 58,729</u>	<u>\$ (180,301)</u>	<u>\$ 27,724</u>	<u>\$ 208,025</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	141,271	141,271	255,368	114,097
Transfers To Other Funds	(350,000)	(350,000)	(95,000)	255,000
Total other Financing Sources (Uses)	<u>\$ (208,729)</u>	<u>\$ (208,729)</u>	<u>\$ 160,368</u>	<u>\$ 369,097</u>
Net Changes in Fund Balances	(150,000)	(389,030)	188,092	577,122
Fund Balances - Beginning	150,000	389,030	389,030	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,122</u>	<u>\$ 577,122</u>

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information – Modified Cash Basis

For The Year Ended June 30, 2006 (Continued)

	<u>JAIL FUND</u>		Actual	Variance with
	Budgeted Amounts		Amounts,	Final Budget
	<u>Original</u>	<u>Final</u>	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental Revenue	\$ 702,000	\$ 702,000	\$ 171,903	\$ (530,097)
Miscellaneous	62,500	62,500	8,818	(53,682)
Interest	500	500	115	(385)
Total Revenues	<u>\$ 765,000</u>	<u>\$ 765,000</u>	<u>\$ 180,836</u>	<u>\$ (584,164)</u>
EXPENDITURES				
Protection to Persons and Properties	\$ 1,188,200	\$ 1,188,200	\$ 1,155,440	\$ 32,760
Debt Service	415,000	415,000	214,522	200,478
Administration	125,700	125,700	17,478	108,222
Total Expenditures	<u>\$ 1,728,900</u>	<u>\$ 1,728,900</u>	<u>\$ 1,387,440</u>	<u>\$ 341,460</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>\$ (963,900)</u>	<u>\$ (963,900)</u>	<u>\$ (1,206,604)</u>	<u>\$ (242,704)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	903,900	903,900	1,212,000	\$ (308,100)
Transfers To Other Funds	-	-	-	-
Total other Financing Sources (Uses)	<u>\$ 903,900</u>	<u>\$ 903,900</u>	<u>\$ 1,212,000</u>	<u>\$ (308,100)</u>
Net Changes in Fund Balances	(60,000)	(60,000)	5,396	65,396
Fund Balances - Beginning	<u>60,000</u>	<u>60,000</u>	<u>6,194</u>	<u>(53,806)</u>
Fund Balances - Ending	\$ -	\$ -	\$ 11,590	\$ 11,590

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information – Modified Cash Basis

For The Year Ended June 30, 2006 (Continued)

<u>COAL SEVERANCE SPECIAL PROJECTS FUND</u>				
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 3,178,000	\$ 3,178,000	\$ 3,717,744	\$ 539,744
Interest	-	-	1,023	1,023
Total Revenues	<u>\$ 3,178,000</u>	<u>\$ 3,178,000</u>	<u>\$ 3,718,767</u>	<u>\$ 540,767</u>
EXPENDITURES				
General Government	\$ 1,200,000	\$ 1,200,000	\$ 658,900	\$ 541,100
Protection to Persons and Property	200,000	200,000	200,000	-
General Health and Sanitation	1,070,000	1,152,459	1,853,348	(700,889)
Social Services	240,000	240,000	150,000	90,000
Recreation and Culture	268,000	268,000	61,108	206,892
Capital Projects	200,000	200,000	113,411	86,589
Total Expenditures	<u>\$ 3,178,000</u>	<u>\$ 3,260,459</u>	<u>\$ 3,036,767</u>	<u>\$ 223,692</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (82,459)</u>	<u>\$ 682,000</u>	<u>\$ 764,459</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	-	-	-	-
Transfers To Other Funds	-	-	(755,174)	(755,174)
Total other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (755,174)</u>	<u>\$ (755,174)</u>
Net Changes in Fund Balances	-	(82,459)	(73,174)	9,285
Fund Balances - Beginning	-	82,459	82,459	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,285</u>	<u>\$ 9,285</u>

PERRY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the General Obligation Bond Fund, and the Justice Center Expansion Corporation Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The Budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**PERRY COUNTY
COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2006

PERRY COUNTY
 COMBINING BALANCE SHEET –
 NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
 Other Supplementary Information
 June 30, 2006
 (Continued)

<u>E-911 Fund</u>	<u>KREDA Fund</u>	<u>Public Properties Fund</u>	<u>Buckhorn Water Line Fund</u>	<u>CDBG Fund</u>	<u>Justice Center Corporation Fund</u>	<u>Public Properties Corporation Bond Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 29,787	\$ 6,402	\$ 14,014	\$ -	\$ 2	\$ -	\$ -	\$ 81,585
-	-	-	-	-	6,175	75,090	\$ 81,265
<u>\$ 29,787</u>	<u>\$ 6,402</u>	<u>\$ 14,014</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 6,175</u>	<u>\$ 75,090</u>	<u>\$ 162,850</u>
\$ 261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261
29,526	6,402	14,014	-	-	-	-	81,322
-	-	-	-	2	6,175	-	6,177
-	-	-	-	-	-	75,090	75,090
<u>\$ 29,787</u>	<u>\$ 6,402</u>	<u>\$ 14,014</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 6,175</u>	<u>\$ 75,090</u>	<u>\$ 162,850</u>

PERRY COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

PERRY COUNTY
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
 Other Supplementary Information
 For The Year Ended June 30, 2006
 (Continued)

<u>E-911 Fund</u>	<u>KREDA Fund</u>	<u>Public Properties Fund</u>	<u>Buckhorn Water Line Fund</u>	<u>CDBG Fund</u>	<u>Justice Center Corporation Fund</u>	<u>Public Properties Corporation Bond Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 262,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,733
73,308	-	-	-	3,500	-	-	119,022
266	117,903	-	-	-	603,920	71,507	793,596
115	377	408	1	-	393	2,352	3,719
<u>\$ 335,813</u>	<u>\$ 118,280</u>	<u>\$ 408</u>	<u>\$ 1</u>	<u>\$ 3,500</u>	<u>\$ 604,313</u>	<u>\$ 73,859</u>	<u>\$ 1,185,070</u>
\$ 342,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362,517
-	-	-	10	-	-	-	1,542
-	161,895	96,168	-	-	479,450	71,507	809,020
-	-	-	-	3,500	212,036	1,210,000	1,425,536
-	-	-	-	-	-	-	7,048
49,219	-	-	-	-	2,000	-	51,219
<u>\$ 391,709</u>	<u>\$ 161,895</u>	<u>\$ 96,168</u>	<u>\$ 10</u>	<u>\$ 3,500</u>	<u>\$ 693,486</u>	<u>\$ 1,281,507</u>	<u>\$ 2,656,882</u>
<u>\$ (55,896)</u>	<u>\$ (43,615)</u>	<u>\$ (95,760)</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ (89,173)</u>	<u>\$ (1,207,648)</u>	<u>\$ (1,471,812)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,210,000	\$ 1,210,000
50,485	-	-	-	-	-	-	50,485
(853)	-	-	-	-	-	-	(2,233)
<u>\$ 49,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210,000</u>	<u>\$ 1,258,252</u>
(6,264)	(43,615)	(95,760)	(9)	-	(89,173)	2,352	(213,560)
36,051	50,017	109,774	9	2	95,348	72,738	376,410
<u>\$ 29,787</u>	<u>\$ 6,402</u>	<u>\$ 14,014</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 6,175</u>	<u>\$ 75,090</u>	<u>\$ 162,850</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Chris Gooch

Certified Public Accountant
P.O. Box 1536
Hazard, Kentucky 41702
(606) 436-5700

FAX : (606) 436-5701

The Honorable Denny Ray Noble, Perry County Judge/Executive
Members of the Perry County Fiscal Court

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued a report thereon dated June 25, 2007. Perry County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County Fiscal Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Perry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matter that is required to be reported under Government Auditing Standards.

**CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

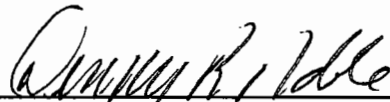
PERRY COUNTY FISCAL COURT

**For the Fiscal Year Ended
June 30, 2006**

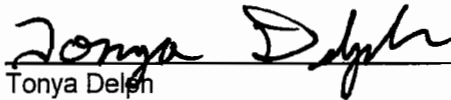
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
PERRY COUNTY FISCAL COURT

For the year ended June 30, 2006

The Perry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Denny Ray Noble
County Judge Executive



Tonya Delph
County Treasurer